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**U.S. MISSILE TECHNOLOGY SANCTIONS
ON CHINA**

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Objective

To seek agreement from the Missile Technology Control Regime (MTCR) Partners to impose the sanctions implemented by the U.S. on China for its missile proliferation activities.

Background

The White House announced on June 16 several actions that the U.S. would take because of concerns raised by China's missile proliferation activities: (A) sanctioning two Chinese firms under U.S. national legislation for their involvement in missile technology transfers to Pakistan; (B) no further approvals of licenses for export of U.S. commercial satellites, their components or associated technology for launch from China; and (C) tighter restrictions on the sale of high performance computers to China. The latter two measures will remain in place until our concerns that China adheres to accepted international non-proliferation standards are satisfactorily addressed.

The Sanctions

High-speed Computers - The President's decision set a limit on computer exports to China above a CTP of 41 MTOPS and was based on concerns about the key role that computers play in managing and enhancing high technology military systems. Computers above this level of performance would greatly enhance China's ability to design and develop missile systems and enhance their targeting and simulation capabilities. These measures are intended to inhibit Chinese developments of further indigenous strategic capability without unduly damaging commercial development.

Satellites - This policy prohibits the export of U.S. satellites, their components and associated technologies to China. The U.S. is concerned that China's commercial launch program may contribute to its missile program by providing technical experience for its personnel, testing opportunities for its equipment and budgetary support for development and manufacture of advanced missile systems.

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MTCR Sanctions - Recent U.S. legislation requires the imposition of sanctions on companies that engage in transfers of items covered by the Annex of the Missile Technology Control Regime (MTCR). We have evidence that two Chinese companies -- China Precision Machinery Import-Export Corporation and China Great Wall Industry Corporation -- have transferred missile technology and equipment covered by the MTCR Annex to Pakistan. These actions are sanctionable under U.S. law. We have taken legal steps to impose sanctions against the firms for two years.

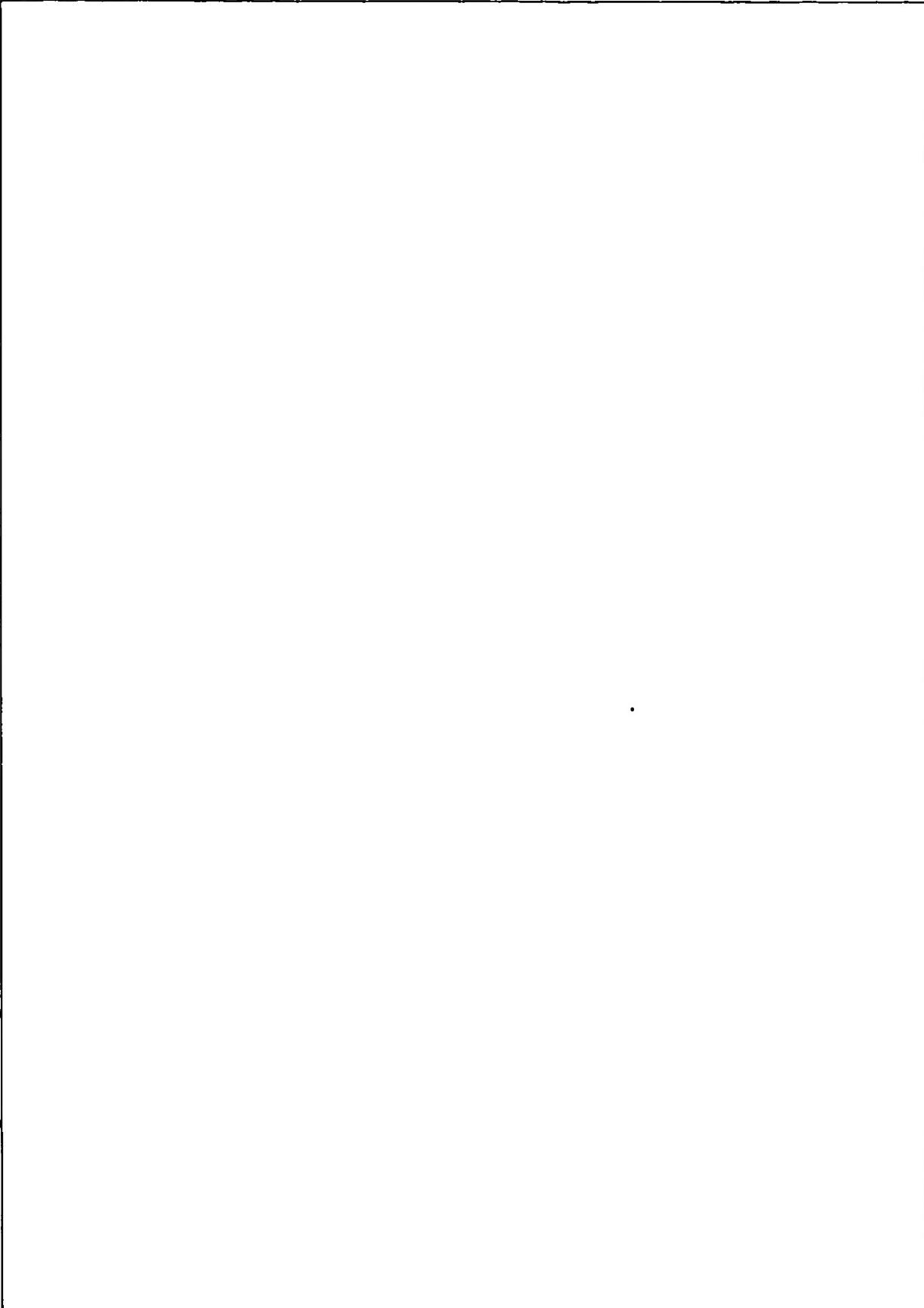
Next Steps

The U.S. has undertaken vigorous diplomatic efforts to persuade China to observe MTCR guidelines and refrain from destabilizing missile sales. We will continue our high level dialogue with the Chinese, and are encouraged by constructive Chinese participation in a recent Paris conference on Middle East Arms Control and by China's statement that it intends to accede to the NPT. We believe that cooperation on the part of all MTCR members would encourage China to observe restraint on the export of strategically sensitive items. While we would need to evaluate any specific commitment that China might propose, our concerns may be addressed by the following Chinese actions:

- Signing the Nuclear Non-proliferation Treaty now and abide by all the provisions of the accord;
- Adhering to the Missile Technology Control Regime guidelines and follow MTCR guidelines with respect to its missile technology transfers; and
- Desisting from transfers of missile technology inconsistent with MTCR guidelines.

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